ESC BAILFING

40P

10 JANUARY 1957

ISRAEL AND ITS MEIGHBORS

- I. Inraeli troops will be back to edges of Sinai by weskend.
 - A. Israel's problem: obey UN resolution and withdraw completely?

 Or stand pat until political objectives obtained? Cabinet now

 meeting on question.
 - B. Imraeli objectives:
 - 1. Buffer sone.
 - 2. Free mavigation Aquba and Sues
 - 3. He Egyptian return to Gama.
- II. Gulf of Agaba primary issue at moment.
 - A. Frigates sent to Rilat "naval base".
 - B. French-Israeli pipeline plans envision Suem by-pass.
- III. Arab counter pressures are striking at West, rather than Israel.
 - A. Hasr threatening to ber French, UK use of Suez unless Imraelia pull back to '49 lines.
 - 1. Eden resignation is shot-in-arm for Masr.
 - 2. We could hold up canal clearance work.
 - B. Syrians similarly threatening keep pipeline closed unless Israeli pull-out is total.